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## GENERAL

1. Reported Soviet plans in Europe--US Embassy Paris  
reports that

the USSR is not planning armed action in Europe if the West refuses Soviet demands regarding Germany, but will apply in progressive stages a "short-of-war" diplomatic program. This program will reportedly include: (a) intimidation of France and the UK by vigorous diplomatic pressure on the issue of German remilitarization; (b) denunciation of the military clauses in the Satellite peace treaties; (c) intimidation of the Bonn Government designed to elicit a more favorable reaction to the Grotewohl proposals for German unification; and (d) rupture by Poland and Czechoslovakia of diplomatic relations with the West.

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## EUROPE

2. YUGOSLAVIA: Estimate of public morale--US Embassy Belgrade gives as its "best estimate" the opinion that the morale of the Yugoslav population in Macedonia, Vojvodina, and all other exposed areas is high with reference to a possible Cominform attack. The Embassy is convinced that the Yugoslav Army and populace will give a very good account of themselves if attacked by the Satellites. The Embassy believes all Yugoslav national and religious groups will fight Cominform invaders by any means possible and will not accept Cominform domination as long as the Yugoslav Government has an army opposing the invaders and Western support.

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State Dept. review completed

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Factors dividing the Yugoslavs are gradually weakening; Tito's policy of granting economic assistance to backward areas and of permitting local government through separate republics has reduced considerably the traditional opposition to Belgrade. Although Communism is distasteful to many Yugoslavs, they prefer the national brand to Moscow domination; Tito's high degree of personal popularity would tend to unify the populace and minimize national ideological differences in the face of a common enemy. In addition, the knowledge that the West would support Yugoslav resistance would add to Yugoslav determination to oppose an invasion.

Meanwhile, US Embassy London has learned that British Ambassador Peake in Yugoslavia is concerned over the state of public morale there. Peake indicates that there is among the populace a lack of strong loyalty to the regime and uncertainty as to whether the West would render Yugoslavia assistance if it is attacked.

3. FRANCE: Communists to stress economic demands--US Embassy Paris sees indications that the French Communist Party has shifted its tactics from emphasis on political objectives to stress on a disruptive economic campaign. The Embassy thinks the Kremlin has recognized the necessity of enhancing the effectiveness of political campaigns by allying them more closely with support for economic and social demands, and, in terms of the present situation in France, has chosen the time well. The rise of the cost of living and expected increases in coming months, such as in the cost of materials, are very much in the minds of the lower income groups. The Embassy considers that the comparative slighting of the basic social and economic concerns of the French worker over the past two years has contributed to apathetic support by Communist followers recently.

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